



THE CITY OF SAN DIEGO **MANAGER'S REPORT**

DATE ISSUED: April 26, 2005 REPORT NO. RA-05-11
CMR-05-095

ATTENTION: Chair and Members of the Redevelopment Agency
Mayor and City Council
Docket of May 3, 2005

SUBJECT: Disposition and Development Agreement and Associated Actions
for the City Heights Square Senior Housing Project

REFERENCE: Executive Director's Report No. RA-05-11

SUMMARY

Issues – Should the City Council and Redevelopment Agency authorize the Executive Director to execute the Disposition and Development Agreement (Attachment 3) with City Heights Square, L.P., authorize the executive director to make contingent offers for purchase of property, approve the findings of benefit (Attachment 8) and approve related actions for development of the City Heights Square Senior Housing Project?

Manager/Executive Director's Recommendation –

For the Agency:

- 1) Certify that the Mitigated Negative Declaration (JO No.42-2983) has been completed in compliance with the California Environmental Quality Act (CEQA) and State CEQA Guidelines and state for the record that they have been reviewed and considered prior to approving the actions. (Attachment 2)
- 2) Approve the Basic Concept Drawings.
- 3) Authorize expenditure of funds for the City Heights Square Senior Housing Project in an amount not-to-exceed \$7,105,000 from the Centre City Project Area as an Agency residual receipts loan contribution to the project.
- 4) Authorize the Executive Director or designee to execute a Disposition and Development Agreement with City Heights Square, L.P. for the City Heights Square Senior Housing project.

- 5) Authorize the Executive Director or designee to execute two (2) Purchase and Sale Agreements with San Diego Revitalization Corporation for acquisition of parcels in the project site. (Attachment 4)
- 6) Authorize the Executive Director or designee to make contingent offers for acquisition of properties for the City Heights Square Senior Housing Project.
- 7) Approve findings of benefit for the use of Centre City housing set-aside bond funds outside of the Centre City project area.

For the Council:

- 1) Certify that the Mitigated Negative Declaration (JO No.42-2983) has been prepared in compliance with CEQA and State CEQA Guidelines and state for the record that the MND has been reviewed and considered prior to approving any of the actions.
- 2) Consent to the Redevelopment Agency entering into the Disposition and Development Agreement for the City Heights Square Senior Housing project.
- 3) Approve findings of benefit for the use of Centre City housing set-aside bond funds outside of the Centre City project areas.

Other Recommendations – The City Heights Project Area Committee (PAC) voted on May 10, 2004 to recommend approval of the Exclusive Negotiating Agreement for the City Heights Square Project, which included the office/retail development, senior affordable housing development and community clinic/office/retail development. On April 11, 2005 the PAC reviewed the proposed DDA and related actions, but did not take action. They have scheduled a special meeting on April 27, 2005 to further review the actions and their vote will be reported at the joint Agency/Council DDA hearing. On April 11, 2005 the PAC reviewed the proposed DDA and related actions, but did not take action. They have scheduled a special meeting on April 27, 2005 to further review the actions and their vote will be reported at the joint Agency/Council DDA hearing. On February 7, 2005 the City Heights Area Planning Committee (CHAPC) voted to recommend approval of the planned development permit and associated entitlements for the project. The CHAPC is scheduled to review the proposed DDA for this project on May 2, 2005, and their recommendation will be reported at the joint Agency/Council hearing on the DDA.

On January 14, 2005 the Agency NOFA Collaborative Review Team voted to recommend approval of the proposed \$5,615,000 in Agency NOFA funding. On February 24, 2005 the Agency NOFA Executive Loan Committee reviewed the proposal and voted to recommend approval of the \$6,065,000 as proposed with a higher developer fee than approved by the Collaborative Review Team. The Collaborative Review Team and Executive Loan Committee are scheduled to review a potential budget increase caused by a recent Department of Industrial Relations ruling that prevailing wages are not required. This could raise the Agency NOFA funding to \$7,105,000, which is an increase of \$1,040,000. Their recommendations will be reported at the joint Agency/Council hearing on the DDA.

Fiscal Impact – The estimated total budget for the Senior Housing Project is approximately \$27,172,000 (see Attachment 7). Funding for the project is proposed to come from 9% Affordable Housing Tax Credits with the California Tax Credit Allocation Committee, private equity loans and Redevelopment Agency Affordable Housing (NOFA) funds. In addition, the developer has agreed to defer \$250,000 of their developer fee to be paid only out of residual receipts received from project net proceeds. The developer has requested up to \$7,105,000 from the Agency in NOFA funds. The proposed DDA requires the developer to apply up to four times for the tax credit allocations, which are awarded twice yearly. The developer will also be required to apply for a grant from the Federal Home Loan Bank's Affordable Housing Program (AHP). Any funds received from the AHP grant will be used to reduce the Agency NOFA fund allocation. The recommended Sources and Uses table for the project is included as part of the Project Budget Attachment 7.

San Diego Revitalization Corporation (SDRC) has acquired the majority of the project site. The Agency proposes to purchase the parcels included in the senior housing project site through a proposed purchase and sale agreement with SDRC. It is also proposed that the Agency assist the project by acquiring three parcels located near the southeast corner of 43rd Street and Polk Avenue, relocate the existing tenants and demolish the buildings. The Agency would retain ownership of the site but would not convey the acquired properties to City Heights Square, L.P. unless and until the developer meets all of the required conditions of the DDA and is prepared to proceed with construction of the project.

A further analysis of the project financing and a justification of the Agency's contribution to the project are provided in the Re-Use Appraisal and 33433 Report (Attachments 5 and 6) prepared by Keyser Marston Associates, Inc.

BACKGROUND

This project is being undertaken in conjunction with two other commercial/office developments as part of a master plan. The majority of the proposed project site is the former location of an Albertson's grocery store. When the City Heights Urban Village Retail Center was completed in 2001, a new expanded Albertson's grocery store opened in the new center and the old store was closed on the current project site. San Diego Revitalization Corporation acquired the property, cleared the site and began master planning the grocery property as well as the majority of the remainder of the block bounded by University Avenue, Fairmount Avenue, Polk Avenue and 43rd Street. SDRC established a working partnership with Chelsea Investment Corporation and Senior Community Centers for the planning and development of a senior housing project and also established a working partnership with La Maestra Family Clinic for the planning and development of a new community clinic/office/retail building. Together the four organizations have collaborated to develop a master plan for most of the block, which is shown in the site plan and concept drawings provided as Attachment 1. The entire master plan area is currently being processed by the City for entitlements as a single Planned Development Permit project.

The Agency has assisted this master planning effort and is currently proposing the approval of a DDA with City Heights Square, L.P., a partnership of Chelsea Investment Corporation and Senior Community Centers for the development of an affordable senior housing project and a separate DDA with San Diego Revitalization Corporation for development of an office and retail building.

Chelsea Investment Corporation and Senior Community Centers have successfully developed similar projects in San Diego, including the Poticker Senior Housing Project.

DISCUSSION

The City Heights Square redevelopment project master plan area totals 2.7 acres. City Heights Square Senior Housing project totals approximately .75 acre and would include 151 living units, with 150 apartments restricted to affordable senior (62 years and older) tenants. The senior project site is currently comprised of 5 separate parcels and the project is proposed as a five-story, Type 1 constructed building over one level of below-grade parking at the southeast corner of Polk Avenue and 43rd Street. The project will be 100% affordable to extremely low and very low-income seniors, all of whom will have access to on-site support services, including one meal per day, provided by Senior Community Centers (SCC). The developer intends to finance the project through a combination of conventional debt, the 9% Low Income Housing Tax Credit (LIHTC), an award from the Federal Home Loan Bank Affordable Housing Program (AHP), and deferral of a portion of the developer fee.

The Project proposed by the developer and supported by staff would be targeted to seniors at very low and extremely low income levels (fragile seniors). Rents would average \$475 per month, with the average household income served at 42% of Area Median Income (AMI). The Project would provide support services by SCC, estimated at \$100,000 per year for personnel and program costs associated with a Service Coordinator, a Mental Health worker and a Registered Nurse. Specific services offered will include on-site clinical services, physical and mental health education and counseling, health monitoring, referrals to physicians, mental illness and substance abuse intervention, entitlement and legal counseling and a congregate meal program. Universal Design features are part of the current design and have been incorporated into the overall plans for the site. A copy of the Universal Design Check list is attached (Attachment 9)

This project, along with its accompanying developments in the master planned block, are considered a complementary phase of the City Heights Urban Village. The significant scale and active mixed uses of the new development would further solidify the Urban Village area as the commercial and civic center of the City Heights community.

Included in the City Heights master plan development is a 5,348 square foot proposed pocket park to be located between the office/retail building and the senior housing development on 43rd Street. The land is currently owned by SDRC and it is proposed to be acquired by the Agency for conveyance to the City. The acquisition costs are proposed to be shared proportionately by the Agency, the senior housing project and La

Maestra. Detailed design for the park has not yet been undertaken and is expected to take place in collaboration with the local Recreation Council, City Heights Area Planning Committee and City Heights Redevelopment PAC. The park improvements are proposed to be installed following completion of construction of the underground parking for the adjacent three projects. This sequencing is necessary because the improvements would likely be destroyed by adjacent construction activity if they were installed prior to the underground shoring and construction for the projects immediately adjacent to the park site.

Project Implementation

The City Heights Square project is expected to be developed in phases, with all four separate components – office/retail project, senior housing project, clinic/office/retail project and pocket park – being developed separately. SDRC, City Heights Square, L.P. (Chelsea Investment Corporation and Senior Community Centers) and La Maestra Community Clinic have entered into a partnership agreement whereby they share proportionately in design, planning and engineering expenses. They are also entering into separate agreements for the disposition of land between SDRC and the other parties. A purchase and sale agreement between the Agency and SDRC is proposed for the Agency purchase of land needed for the senior housing project. The Agency has reviewed these agreements and has confirmed that they are in conformance with the proposed DDA's for both the office/retail project and the senior housing project. Keyser Marston Associates has determined that the property sale prices are within the range of fair market prices and that the other development costs are verified, legitimate costs and estimates.

ALTERNATIVE

Do not approve the DDA, purchase and sale agreement, and related actions. This alternative would not allow the senior housing project to proceed.

Respectfully submitted,

Debra Fischle-Faulk
Deputy Executive Director

Approved: Hank Cunningham
Assistant Executive Director

Approved: Patricia Frazier
Deputy City Manager

CUNNINGHAM/RHK

Note: The attachments are not available in electronic format. A complete copy for review is available in the Office of the City Clerk.

- Attachments:
1. Site Plan and Concept Plan
 2. Mitigated Negative Declaration
 3. Disposition and Development Agreement
 4. Purchase and Sale Agreement
 5. Agency 33433 Report prepared by Keyser Marston Associates
 6. Re-Use Appraisal Report prepared by Keyser Marston Associates
 7. Project Budget
 8. Finding of Benefit Summary
 9. Universal Design Checklist